



commenced, nor could the Company predict the extent of damages that may have been awarded.

In addition to the foregoing, in March 2003, Liquidmetal Korea sold Growell Metal five proprietary Liquidmetal alloy casting machines and granted to Growell Metal a license to use such casting machines to manufacture auto parts for South Korean automobile manufacturers (the "Diecasting Agreement"). Immediately prior to the Settlement Agreement, Liquidmetal Korea had an unpaid account receivable from Growell Metal in the amount of approximately \$2.1 million (US) for the purchase of these casting machines. In addition to discontinuing its ingot supply operations, Growell Metal has also recently indicated to the Company that it may discontinue this Liquidmetal casting business. Although Growell Metal had never denied its obligation to pay this outstanding receivable and had not alleged a breach of the Diecasting Agreement, the Company had recently come to believe that, based on the pendency of the dispute under the Product Supply Agreement, the discontinuation of Growell Metal's ingot supply business, and the potential discontinuation of Growell Metal's casting business, there is substantial doubt as to whether the Company would have been able to collect such account receivable.

As a result of the foregoing, the Company determined that it would be in the best interest of the Company's shareholders to settle the foregoing claims and obligations upon the terms and conditions of the Settlement Agreement. The material terms of the Settlement Agreement are as follows:

- \* Pursuant to and upon the execution of the Settlement Agreement, Growell Metal has satisfied in full the \$2.1 million account receivable to Liquidmetal Korea for the casting machines bought by Growell Metal in connection with the Diecasting Agreement.
- \* Pursuant to the Settlement Agreement, Liquidmetal Korea has purchased from Growell Metal approximately \$4.9 million in equipment and materials inventory that was used in Growell Metal's ingot supply operations. Approximately \$2.1 million of the purchase price for this equipment has been paid through the offsetting of the \$2.1 million casting machine receivable from Growell Metal as described above, while the remaining balance of approximately \$2.8 million must be paid by December 31, 2004 in cash or by Company common stock (as decided by the Company). If the amount is paid in Company stock, the stock will be valued for such purpose on the basis of the average closing price of the Company's common stock during the five trading days immediately preceding the date on which the payment is made. The Company intends to use this equipment in its manufacturing operations or its licensing/equipment sales business.
- \* The Company and Growell Metal have granted to each other comprehensive mutual releases whereunder all current, prior, and future claims under the Product Supply Agreement and Diecasting Agreement are waived and released, and all other potential prior or current claims between the parties from any other source (whether known or unknown) are also released.
- \* The Diecasting Agreement will continue to remain in effect, although all potential claims (including future claims) against the Company are released thereunder. Additionally, in the event that Growell Metal desires to assign its rights under the Diecasting Agreement and sell its casting machines to a third party, the Company will cooperate with Growell Metal in facilitating such assignment. If Growell Metal desires to sell its Liquidmetal casting machines, then the Company must encourage third parties to purchase Liquidmetal casting machines from Growell Metal before the Company tries to sell any of its own casting machines to the third party, provided that the casting machines owned by Growell Metal meet the third-party's specifications.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ John Kang

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John Kang  
Chairman, President, and Chief  
Executive Officer

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Date: January 15, 2004